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## Statement on the speech by Bank of England Governor Mark Carney

**Rob Whelan, CEO of the Insurance Council of Australia, comments on a speech delivered on September 29 by Bank of England Governor Mark Carney to Lloyd's of London:**

“The Insurance Council of Australia (ICA) broadly agrees with Bank of England Governor Mark Carney’s contention that climate change may pose a significant long-term financial risk to insurance companies. However the ICA notes his comments are more relevant for the northern hemisphere life and general insurance industries.

“Australia’s general insurance sector is well managed and tightly regulated, and has consistently demonstrated it is adept at coping with the extreme weather conditions it regularly faces. It is exceptionally well provisioned from a capital adequacy perspective and also has strong reinsurance support for catastrophes.

“The efficiency and effectiveness of the local market emphasises the importance of risk-based pricing with minimal government interference. This is fundamental to being able to manage the effects of extreme weather and climate change.

“The ICA and its member companies monitor developments in climate science, and will assess Mr Carney’s observations for implications in a local, regional and global context. The speech is a significant contribution to the discussion about climate change and how economies, communities and businesses might have to prepare for the challenges it may pose. How each company responds to these risks in coming decades will depend on that company’s business model and investment strategies.

“Insurers offer products that typically protect customers for 12 months and not for risks that may change over many years. The ICA and insurers regularly liaise with the weather bureau and with long-range forecasters to better understand how they might need to prepare for extreme weather conditions throughout any given year, in particular for the traditional disaster season (mid-Spring through to mid-Autumn).

“Mr Carney’s speech underpins the importance of governments acting to protect communities against current and projected extreme weather risks. This necessarily involves investments in mitigation strategies (including physical mitigation such as flood levees), improving town planning, enhancing building codes and upgrading existing structures to better withstand extreme weather events.

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“Governments can also help Australians protect themselves against financial loss from extreme weather by allowing competitive insurance markets to flourish, free of unnecessary government interference that would expose taxpayers to multi-billion-dollar liabilities.

“The ICA notes that the Productivity Commission has previously found that government investment in permanent mitigation infrastructure to protect high-risk communities is more prudent and effective than pouring funds into disaster relief. It has also concluded that taxes on general insurance premiums are a barrier to effective adaption to climate change. By removing these inefficient taxes, governments will encourage more Australians to take out policies to protect their financial assets.”

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